



During October the Irish Financial Services Regulatory Authority (IFSRA) published the Insurance Statistical Review 2003<sup>¶</sup>. The Review, which was previously known as the Insurance Annual Report (or colloquially as the Blue Book), has been given a make-over and appears now in the new IFSRA corporate colours rather than the traditional blue.

As was the case with the Blue Book, the Review includes statistical and financial data relating to the Irish Insurance industry. However, this year's review also includes some new content arising from the recommendations of the Motor Insurance Advisory Bureau (MIAB). In particular there is as a breakdown of motor statistics between private and commercial business as well as further detail on the 2003 accident year from the largest motor insurers.

In the non-life insurance area the published statistics confirm recent reports that the industry has achieved high levels of profitability in 2003. Profits have been particularly strong for motor classes, with liability classes also making a substantial contribution.

The review also signals IFSRA's intention to consult on modifications to the non-life returns in the near future, and summarises EU developments in the regulation of reinsurance companies.

### **Non-Life Insurance Highlights**

The high level statistics in the Review are summarized below, with 2002 figures also given for comparison purposes.

2003 Gross Revenue a/c €m	Irish Risks				Foreign	Grand
	<i>Motor</i>	<i>Liability</i>	<i>Other</i>	Total	Risks	Total
<b>Net Written Premium</b>	1905.4	966.7	1516.1	<b>4388.3</b>	<b>2966.3</b>	<b>7354.6</b>
<b>Earned Income (EP)</b>	1952.6	929.5	1473.0	<b>4355.2</b>	<b>3130.1</b>	<b>7485.3</b>
<b>Paid Claims</b>	994.3	345.3	611.5	<b>1951.2</b>	<b>839.3</b>	<b>2790.4</b>
<b>Incurred Claims</b>	1379.6	719.6	622.1	<b>2721.2</b>	<b>1135.4</b>	<b>3856.6</b>
<b>Expenditure</b>	281.1	152.6	371.3	<b>805.0</b>	<b>450.2</b>	<b>1255.2</b>
<b>UW Profit</b>	292.0	54.6	476.1	<b>822.7</b>	<b>1152.6</b>	<b>1975.2</b>
<b>Inv Income</b>	181.7	106.4	51.5	<b>339.6</b>	<b>88.4</b>	<b>428.1</b>
<b>Ins Result</b>	473.7	161.0	527.6	<b>1162.3</b>	<b>1241.0</b>	<b>2403.3</b>
<b>Loss Ratio</b>	70.7%	77.4%	42.2%	<b>62.5%</b>	<b>36.3%</b>	<b>51.5%</b>
<b>Expense Ratio</b>	14.4%	16.4%	25.2%	<b>18.5%</b>	<b>14.4%</b>	<b>16.8%</b>
<b>UW Result % EP</b>	15.0%	5.9%	32.3%	<b>18.9%</b>	<b>36.8%</b>	<b>26.4%</b>
<b>Inv Income % EP</b>	9.3%	11.4%	3.5%	<b>7.8%</b>	<b>2.8%</b>	<b>5.7%</b>
<b>Ins Result % EP</b>	24.3%	17.3%	35.8%	<b>26.7%</b>	<b>39.6%</b>	<b>32.1%</b>

<sup>¶</sup> The Review is available for download at the IFSRA website [www.ifsra.ie](http://www.ifsra.ie), or can be purchased in hard copy from the IFSRA.

Gross Written Premium has grown from €6.4bn to €7.4bn with the vast bulk of the growth in the non-Irish risks for which premiums have grown by almost 29%. Growth for Irish premiums has been retarded because of a 0.4% decline in motor premiums. This is consistent with media and other reports of premium reductions in response to improved claims performance.

2002 Gross Revenue a/c	Irish Risks				Foreign	Grand
	<i>Motor</i>	<i>Liability</i>	<i>Other</i>	Tot Irish	Risks	Total
<b>Net Written Premium</b>	1913.1	846.4	1360.2	4119.7	2303.1	6422.7
<b>Earned Income (EP)</b>	1801.7	755.4	1215.1	3772.1	2134.2	5906.3
<b>Paid Claims</b>	1121.3	356.5	604.3	2082.1	853.5	2935.7
<b>Incurred Claims</b>	1542.2	755.7	750.6	3048.6	1190.5	4239.1
<b>Expenditure</b>	231.3	125.1	298.3	654.7	357.8	1012.5
<b>UW Profit</b>	28.9	-125.8	166.2	69.3	352.3	421.6
<b>Investment Income</b>	168.8	60.3	39.3	268.4	72.1	340.5
<b>Insurance Result</b>	197.8	-65.5	205.4	337.7	424.4	762.1
<b>Loss Ratio</b>	85.6%	100.0%	61.8%	80.8%	55.8%	71.8%
<b>Expense Ratio</b>	12.8%	16.6%	24.5%	17.4%	16.8%	17.1%
<b>UW Result % EP</b>	1.6%	-16.7%	13.7%	1.8%	16.5%	7.1%
<b>Investment Income % EP</b>	9.4%	8.0%	3.2%	7.1%	3.4%	5.8%
<b>Insurance Result % EP</b>	11.0%	-8.7%	16.9%	9.0%	19.9%	12.9%

Reported loss ratios have reduced dramatically, with the overall loss ratio down from 71.8% to 51.5%. Despite the drop in premium income the loss ratio for motor risks has fallen from 85.6% to 70.7%, surely a signal of further premium reductions to come.

However the loss ratio reductions have been consistent across the board. The 2003 loss ratio of 77.4% for liability business will lead to pressure for reductions in commercial liability premiums. Reflecting the exceptionally low loss ratios the industry has produced an underwriting profit in 2003 in all the major classes. It is also interesting to note that the actual claims paid during 2003 declined in absolute terms relative to 2002 for motor and liability classes.

Expressed as a percentage of earned premium, expenses have for Irish risks risen slightly, mostly reflecting the decline in motor premiums. This may well lead to some pressure on costs in the near future.

### **Some Interesting Motor Statistics**

In response to the recommendations of the MIAB, the Review contains two interesting tables giving more detail on motor insurance.

The first is a breakdown of motor into Private and Commercial business. The MIAB had requested a more detailed breakdown but the figures presented are the currently available statistics from the IIF, in which "Personal" includes motorcycle and "Commercial" includes motor-fleet.

The table below summarises the improvements in loss ratio and underwriting result from 2001 to 2003. It is clear that the improvements have been strong in both Private and Commercial motor.

<b>Gross of Reinsurance</b>		<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Loss Ratio</b>	<b>Private Motor</b>	95.1%	85.8%	70.4%
	<b>Commercial Motor</b>	101.6%	81.3%	74.5%
<b>UW Result as % of Earned Premium</b>	<b>Private Motor</b>	-9.6%	0.9%	15.4%
	<b>Commercial Motor</b>	-14.8%	7.5%	13.2%

The second element of new detail in the Review is a breakdown of the motor insurance statistics for the 2003 accident year for the ten largest motor insurers. The figures given are effectively the 2003 data from Form 8 of the IFSRA returns. The data is not immediately useful in the format given and would benefit from the inclusion of the corresponding Earned Premium data.

Applying approximate earned premium data highlights a very great variation in estimated loss ratio for the 2003 accident year across the companies concerned. Large variation is also evident in the estimated average cost per claim by insurer. It will be interesting to see how the wider availability of this information impacts on the market in the future.

### **Future Developments in Non-Life Statutory Returns**

Recommendation 31 of the MIAB related to the format and content of Statutory Returns. The 2003 Review notes that the financial returns are being examined with a view to revised formats being put in place during 2005 following consultation with the Irish insurance industry. Reading between the lines this is also likely to affect the frequency with which returns will be required.

### **EU Reinsurance Developments**

The Review draws attention to the draft EU Reinsurance Directive which proposes a model of regulation based principally on current direct insurance supervision rules. The Directive applies to reinsurance undertakings in the EU that conduct only reinsurance business. Companies that write both direct business and reinsurance will continue to be regulated under the direct EU Insurance Directives.